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THE

Cotton

SITUATION

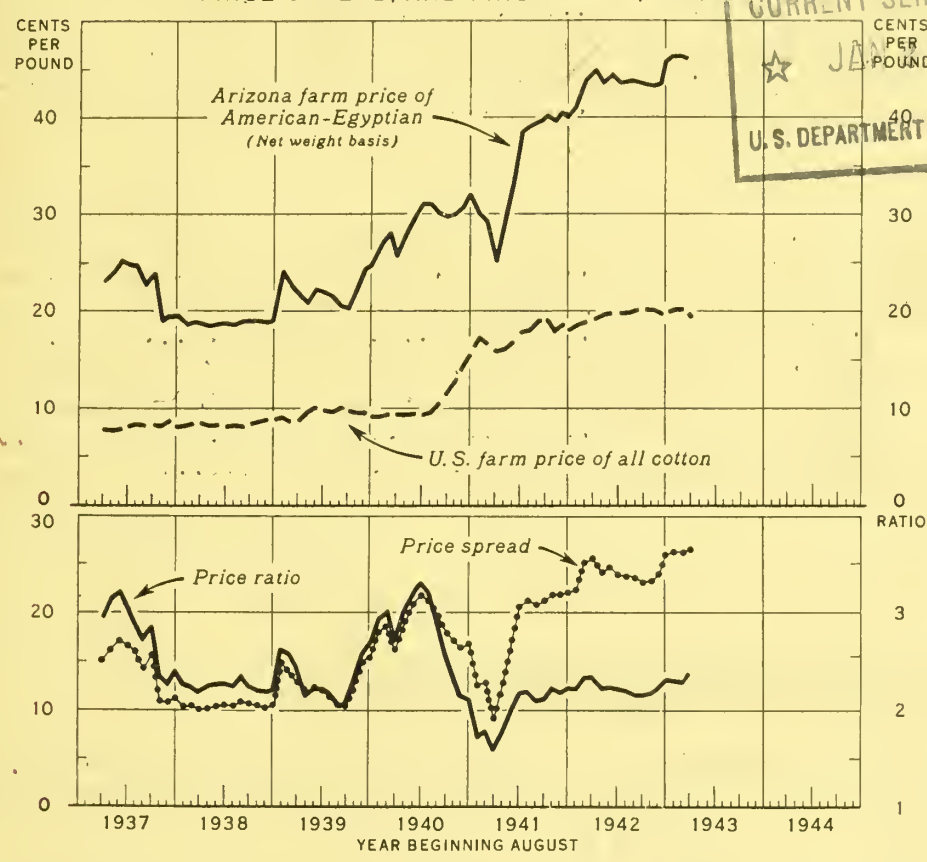
BUREAU OF AGRICULTURAL ECONOMICS
UNITED STATES DEPARTMENT OF AGRICULTURE

CS-85

BAE

DECEMBER 1943

COTTON: ARIZONA FARM PRICE OF AMERICAN-EGYPTIAN,
UNITED STATES FARM PRICE OF ALL COTTON,
PRICE SPREAD, AND PRICE RATIO, 1937-43



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The Arizona farm price of American-Egyptian cotton was 46.3 cents in October and the United States farm price of all kinds of cotton, 20.28 cents per pound. These prices represent increases of 148 percent and 136 percent, respectively, over the weighted season-average farm prices in 1938-39, the last full year before the outbreak of the present war.

This season the price of American-Egyptian cotton is supported by a purchase program under which the price for No. 2, 1½ inch cotton is being purchased at 48 cents per pound. Upland cotton prices are supported by a loan program under which the basic loan rate for Middling 15/16 inch is 19.26 cents per pound gross weight.

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-- December 8, 1943

THE DOMESTIC COTTON SITUATION

Goal of 22,277,000 Acres Established for 1944
Compares with 1943 Acreage of 22,151,000

The 1944 acreage goal for cotton is 22,277,000 acres. This compares with the 1943 goal of 22,500,000 acres and an actual acreage in 1943 of 22,151,000

During the summer of 1943 studies were made in each cotton-producing State by State and Federal agricultural agencies to determine what shifts in agricultural production would be feasible in 1944. The individual State reports were used as a basis for the acreages of the various crops which were suggested to the State War Boards as giving promise of making the fullest possible utilization of agricultural resources in 1944, and at the same time result in the largest aggregate production of needed agricultural products.

At meetings held in each State during October the State War Boards met with farmers and local State and Federal agricultural leaders to review the suggested acreages in the light of their respective situations and to establish 1944 production goals.

In most States (Ala., Ark., Fla., Ga., La., Mo., N. Mex., Okla., S. C., Va., Ill., Ky., and Kansas) the goal adopted was the same as the suggested acreage. Both North Carolina and Texas adopted the 1943 acreage as then estimated as the goal for 1944 rather than the slightly smaller suggested acreage. Mississippi and Tennessee both adopted a goal which was higher than either the 1943 acreage or the 1944 suggested acreage. California adopted a goal between the 1943 acreage and the suggested acreage, and Arizona adopted a goal which was smaller than either the 1943 or 1944 suggested acreages.

Compared with the acreage in cultivation on July 1 of this year the 1944 goals call for the following percentage changes: Reductions of 20 percent in Virginia, 17 percent in New Mexico, 12 percent in Arizona, 8 percent in California, 6 percent in Georgia, 3 percent in Alabama, and 2 percent in Florida; and increases of 1 percent in Oklahoma and South Carolina, 2 percent in Louisiana, 5 percent in Arkansas, 6 percent in Mississippi, 10 percent in Tennessee, 11 percent in Illinois, Kentucky, and Kansas combined, and 12 percent in Missouri.

Both North Carolina and Texas adopted the 1943 acreage as then estimated, as their 1944 goal. The acreage indicated by the goals with yields and abandonment equal to the 1938-42 average, would result in a crop of about 11.1 million bales, 500 pounds gross weight. This would compare with a 1943 crop of about 11.5 million bales and a 1938-42 average of nearly 12 million bales.

October Daily Consumption Rate Highest Since
June but Considerably Below 1942-43 Average

Despite the fact that the total consumption of cotton in October was slightly smaller than in September, the consumption of 40,781 bales per working day (October had fewer working days than September) was the highest daily consumption since June 1943. However, it was less than the 1942-43 average of 43,516 bales and the October 1942 average of 44,740, by 6 percent and 9 percent respectively. For the first quarter of the current season consumption averaged 39,853 bales per working day. This is 10 percent less than in the corresponding quarter of last season and equivalent to an annual rate of slightly under 10.3 million bales per year. If consumption were to decline from the level reached in the first quarter of this season as it did in subsequent quarters of last season the total consumption this season would be about 10.0 million bales. This would be about 10 percent less than in either 1941-42 or 1942-43 but 3 percent higher than in 1940-41.

Tight Labor Situation Largely Responsible
for Decline

Of foremost importance in this decline in cotton consumption has been the tight labor situation that has confronted cotton textile mills. The turn-over rate among employees has been quite high. During the period May-September, the last 5 months for which data are available, the monthly separation rate averaged 8.73 workers per 100 workers employed. However, accessions averaged only 7.46 per 100 workers, with a resulting net decline of 1.23 per month. During the corresponding 5 months of 1942 the average monthly

separation rate was 8.13 and the average accession rate was 8.28, having a net gain in employment of 0.15 per month. In a still different period, the 5 months ended April 1942, in which month cotton consumption reached an all-time high, separations per month averaged only 4.96 persons per 100 employed while accessions averaged 5.53, a gain of 0.57 persons per month per 100 employed.

These three comparisons effectively illustrate something of what textile mills have been confronted with during the past 2 years. During much of the period of marked expansion in textile output turn-over rates were generally moderate with accessions exceeding separations. Following the peak in cotton consumption which was reached in April 1942 accessions continued to exceed separations. In fact, employment in cotton manufactures continued to rise until a peak of an estimated 528,000 employees was reached in December 1942. However, even though total employment did continue to increase from May through December 1942, the turn-over rate increased sharply. This resulted in a loss in labor efficiency -- as it became necessary to replace with unskilled workers more and more skilled workers who were leaving to accept employment in higher paying jobs or to enter the armed forces.

The continuation of this high rate of labor turn-over makes it still necessary to recruit large numbers of inexperienced persons to take the place of more efficient and experienced personnel. As indicated above, accessions have been falling below separations and employment has declined to about 487,000 in September, a decline of 7.8 percent since December 1942.

Picking Rate Averages \$1.69 per 100 Pounds
of Seed Cotton; Highest on Record

Farmers are paying an average of \$1.69 per hundred pounds of seed cotton to get this year's crop picked. This is the highest price paid in any of the 20 years for which records are available. Compared with the preceding years it represents increases of 20 percent over the 1942 average of \$1.41, 55 percent over the 1941 average of \$1.09, and 168 percent over the 1936-40 average of \$0.63 per hundred pounds. This represents a substantially larger percentage increase than occurred in the farm price of cotton as the August-November average farm price of 19.92 cents was 5 percent over the 1942-43 weighted average, 17 percent over the 1941-42 average and 106 percent over the 1936-40 average.

The largest increases in picking rates over last season occurred in Oklahoma, Texas, and North Carolina where the increases were 45, 35, and 35 cents respectively. Eight of the States had increases of 30 cents per 100 pounds.

Arizona, with a rate this year of \$2.70 per 100 pounds, has had the highest picking rate in the United States in each of the last 3 years. Principal reasons for this are the large proportion of American-Egyptian cotton for which the picking rate is customarily somewhat higher, and the fact that Arizona has an insufficient resident labor supply thus making it necessary to recruit a considerable number of workers from outside the area. South Carolina with \$1.25 per 100 pounds had the lowest picking rate of any State. Next lowest was Georgia with a rate of \$1.30.

Prices Dip in November

The cotton market, like most commodity and security markets, weakened appreciably in November. The price of Middling 15/16" cotton in the 10 markets declined to 19.16 cents on November 29, about 1 cent below a month earlier and the lowest since November 1942.

In general the weakness in prices was associated with favorable war news, rumors concerning the possibility of an early peace in Europe, and the possibility of war contracts being cancelled. This apparently indicates a pessimistic attitude by the trade as to the probable level of both domestic consumption and commercial exports in the early post-war period.

As a result of the price decline the prices of many qualities were under the corresponding loan levels, whereas earlier in the season they were pretty generally well above loan levels.

The United States farm price, which also declined, dropped from 20.28 cents in mid-October to 19.40 in mid-November. This was the lowest farm price since the 19.22 cents in November 1942. The parity price of cotton advanced to 20.71 cents, the highest since the late 1920's.

Table 1.- Cotton: 1944 acreage goal and related data, by States 1/

State	1938-42 average	1943				1944			
		Goal	Actual	Sug- gested	Goal	Goal as a percentage of			
						1938-42 average	1943 goal	1943 actual	1944 sug- gested
	1,000 acres	1,000 acres	1,000 acres	1,000 acres	1,000 acres	Percent	Percent	Percent	Percent
Ala.	1,946	1,600	1,627	1,585	1,585	81	99	97	100
Ariz.	228	270	205	190	180	79	67	88	95
Ark.	2,124	2,070	1,908	2,000	2,000	94	97	105	100
Calif.	353	360	287	252	265	75	74	92	105
Fla.	69	40	47	46	46	67	115	98	100
Ga.	1,927	1,600	1,617	1,512	1,512	78	94	94	100
La.	1,118	1,080	1,009	1,029	1,029	92	95	102	100
Miss.	2,568	2,490	2,482	2,530	2,630	102	106	106	104
Mo.	400	395	377	424	424	106	107	112	100
N. Mex.	112	130	115	96	96	86	74	83	100
N. C.	830	790	850	831	865	104	109	102	104
Okla.	1,818	1,735	1,580	1,600	1,600	88	92	101	100
S. C.	1,233	1,235	1,148	1,155	1,155	94	94	101	100
Tenn.	724	695	723	751	792	109	114	110	105
Tex.	8,692	7,940	8,123	7,951	8,050	93	101	99	101
Va.	37	40	35	28	28	76	70	80	100
Other States:	21	20	18	20	20	95	10	111	100
U. S.	24,201	22,490	22,151	22,000	22,277	92	99	101	101

1/ All acreages as of July 1.

2/ Excludes 10,000 acres of Sea Island cotton for which no State break-down was made.

Table 2.- Average wage rates for picking 100 pounds of seed cotton, by States, 1924-43

State	1924	1925	1926	1927	1928	1929	1930	1931	1932	1933	1934	1935	1936	1937	1938	1939	1940	1941	1942	1943
	Dol.	Dol.	Dol.	Dol.	Dol.	Dol.	Dol.	Dol.	Dol.	Dol.	Dol.	Dol.	Dol.	Dol.	Dol.	Dol.	Dol.	Dol.	Dol.	Dol.
Mo. . . .	1.32	1.38	1.12	1.14	1.14	1.12	.71	.49	.52	.67	.80	.75	.95	.80	.75	.75	.77	1.40	1.85	2.00
Va. . . .	1.30	1.13	1.00	1.12	1.23	1.15	.75	.45	.34	.45	.65	.65	.70	.75	.65	.60	.70	1.00	1.50	1.80
N. C. . .	1.24	1.17	1.03	1.07	1.07	1.01	.53	.36	.38	.43	.65	.65	.65	.70	.60	.60	.67	.95	1.40	1.75
S. C. . .	.95	.85	.82	.73	.83	.61	.52	.36	.36	.45	.50	.50	.55	.60	.50	.50	.54	.75	1.00	1.25
Ga.85	.94	.90	.88	.85	.90	.57	.35	.33	.45	.50	.50	.55	.60	.50	.50	.53	.75	1.00	1.30
Fla.94	1.13	1.12	.95	1.02	1.07	.76	.41	.39	.43	.55	.55	.60	.65	.60	.60	.67	.85	1.15	1.45
Tenn. . .	1.11	1.41	1.05	1.08	1.04	1.34	.63	.43	.47	.54	.55	.50	.30	.70	.50	.60	.65	1.20	1.50	1.80
Ala.95	1.03	1.03	.96	.95	.92	.55	.34	.36	.45	.55	.50	.60	.60	.50	.50	.51	.85	1.10	1.40
Miss. . .	1.00	1.35	1.15	1.08	1.02	1.03	.56	.39	.40	.49	.55	.55	.75	.80	.55	.60	.57	1.10	1.40	1.70
Ark. . . .	1.06	1.27	1.06	1.05	1.03	1.06	.56	.40	.44	.52	.60	.55	.75	.70	.60	.60	.65	1.20	1.50	1.70
La. . . .	1.02	1.25	1.12	1.03	1.03	1.01	.61	.41	.39	.43	.55	.55	.65	.70	.55	.55	.55	.85	1.20	1.50
Okla. . .	1.43	1.60	1.23	1.40	1.23	1.22	.73	.45	.43	.65	.75	.70	.75	.75	.70	.65	.72	1.20	1.50	1.95
Tex. . . .	1.48	1.33	1.20	1.24	1.21	1.11	.71	.44	.45	.55	.60	.60	.65	.65	.55	.55	.53	1.10	1.45	1.80
N. Mex. .	1.40	1.40	1.15	1.30	1.22	1.25	.68	.43	.44	.55	.65	.65	.70	.70	.60	.65	.63	1.20	1.75	2.00
Ariz. . .	1.60	1.75	1.45	1.53	1.50	1.50	.39	.53	.50	.67	.90	.90	1.10	.85	.80	.90	.93	1.45	2.45	2.70
Calif. . .	1.55	1.65	1.55	1.47	1.46	1.45	.89	.50	.45	.65	.90	.90	1.00	.95	.75	.85	.95	1.30	1.90	2.10
Ill. . . .	1.19	---	---	1.20	1.20	1.15	.71	.50	.40	.65	.75	.75	.90	.70	.70	.70	.70	1.35	1.70	2.00
Kans. . .	---	1.54	---	1.50	1.40	1.30	.75	.45	.43	.65	.75	.70	.75	.65	.65	.65	.65	1.10	1.50	1.95
Ky. . . .	---	1.43	1.10	1.20	1.20	1.13	.70	.49	.50	.60	.80	.75	.95	.80	.80	.80	.80	1.25	1.80	2.00
U. S. . .	1.25	1.27	1.11	1.12	1.10	1.06	.63	.41	.42	.53	.60	.53	.69	.69	.57	.53	.62	1.09	1.41	1.69

1/ Includes rates paid for snapping bolls converted to seed cotton equivalent.

Table 3.- Cotton, middling 15/16 inch: Comparison of spot market prices and Government loan rates, specified markets, 1942 and 1943

Area and market	Market prices		Loan rates		Premium of:		Premium of market over 1943 loan on
	1942-43 average	Aug. 5, 1943	1942	1943	market over 1942 loan rate	Aug. 6, 1943	
	Cents	Cents	Cents	Cents	Cents	Cents	Cents
<u>Southeastern markets</u>							
Charleston	20.37	21.12	17.71	19.75	2.66	1.37	-.08
Augusta	20.60	21.32	17.67	19.71	2.93	1.61	.46
Savannah	20.41	20.98	17.62	19.66	2.79	1.32	.07
Montgomery	20.25	20.70	17.44	19.48	2.81	1.22	.07
Average	20.41	21.03	17.61	19.65	2.80	1.38	.13
<u>South Central markets</u>							
New Orleans	19.96	20.32	17.18	19.22	2.78	1.10	-.01
Memphis	20.06	20.45	17.22	19.26	2.84	1.19	-.11
Little Rock	20.04	20.45	17.15	19.19	2.89	1.26	-.04
Average	20.02	20.41	17.18	19.22	2.84	1.19	-.05
<u>Southwestern markets</u>							
Dallas	19.96	20.22	17.07	19.11	2.89	1.11	-.09
Houston	19.83	20.25	17.12	19.16	2.76	1.09	-.03
Galveston	19.88	20.27	17.12	19.16	2.76	1.11	-.09
Oklahoma City 1/	19.90	20.22	17.07	19.11	2.83	1.11	-.19
Average	19.90	20.24	17.10	19.14	2.80	1.10	-.12
<u>Western irrigated markets</u>							
El Paso 1/	18.61	19.17	16.91	18.95	1.70	.22	-.88
Phoenix 1/	18.15	18.62	16.55	18.59	1.60	.03	-.72
Bakersfield 1/ 2/	18.24	18.67	16.55	18.59	1.69	.08	-.77
Average	18.33	18.82	16.67	18.71	1.66	.11	-.79
<u>10 markets 3/</u>							
14 markets	20.14	20.61	17.33	19.37	2.81	1.24	.01
Mill points 4/	19.74	20.20	17.17	19.21	2.57	.99	-.18
1/ Average of Friday's prices. 2/ Bakersfield-Fresno-Tulare. 3/ Charleston, Augusta, Savannah, Montgomery, New Orleans, Memphis, Little Rock, Dallas, Houston, and Galveston. 4/ Carolina Group "B" mill points.	21.37	21.97	17.76	19.80	3.61	2.17	.67

Compiled from records and reports of the Cotton and Fiber Branch, Food Distribution Administration.

Table 4.- STATISTICAL SUMMARY

Item	Unit or base period	1942	1943			Pct. of
		Oct.	Aug.	Sept.	Oct.	year ago 1
Prices:						
Middling 15/16-inch, 10 markets:	Cent	18.89	20.45	20.44	20.32	102
Farm, United States	Cent	18.87	19.81	20.20	20.28	107
Parity	Cent	19.10	20.46	20.46	20.58	108
Farm, percentage of parity ...	Percent	99	97	99	99	100
Premium of 1-1/8-inch over basis 2/:						
Memphis	Point	495	392	434	450	91
Carolina "B" mill area	Point	690	585	609	640	93
New England mill area	Point	715	610	634	665	93
American-Egyptian, farm, Arizona:	Cent	43.9	45.7	46.4	46.6	106
SxP, New England mill points 3/:	Cent	47.54	48.20	48.13	49.00	103
Cloth, 17 constructions	Cent	40.62	40.62	40.62	40.62	100
Mill margin (17 constructions):	Cent	21.85	20.34	20.37	20.47	94
Cottonseed, farm price	Dollar	46.46	50.90	51.90	52.50	113
Cottonseed, parity	Dollar	34.73	37.20	37.20	37.40	108
Cottonseed, farm, pct. of parity:	Percent	134	137	140	140	104
Consumption:						
All kinds during month, total :	1,000 bales	973.1	842.3	872.1	846.2	87
All kinds cumulative, total ...	1,000 bales	2,858	842	1,714	2,561	90
All kinds per day, total	Bale	44,740	38,285	40,563	40,781	91
All kinds, annual rate	Million bales	11.4	9.9	10.4	10.5	92
American-Egyptian cotton, total:	Bale	4,594	3,369	3,633	3,723	81
American-Egyptian, cumulative :	Bale	13,051	3,369	7,002	10,725	82
Foreign cotton, total	Bale	16,859	10,192	10,403	9,420	56
Foreign cotton, cumulative	Bale	48,890	10,192	20,595	30,015	61
Spindle activity:						
Spindles in place	Thousand	23,804	23,403	23,352	23,331	98
Active spindles	Thousand	23,018	22,633	22,631	22,599	98
Percentage active	Percent	96.7	96.7	96.9	96.9	100
Hours operated, total	Million	11,420	10,091	10,325	10,070	88
Hours per spindle in operation:	Hour	496	446	456	446	90
Hours per day 4/	Hour	16.0	14.4	15.2	14.4	90
Stocks, end of month:						
Consuming establishments	1,000 bales	2,075	1,929	1,930	2,204	106
Public storage and compresses :	1,000 bales	12,652	8,027	10,433	12,264	97
Total 5/	1,000 bales	14,727	9,956	12,363	14,468	98
Egyptian cotton, total 5/	Bale	31,957	34,292	37,143	44,181	138
American-Egyptian cotton, total 5/	Bale	29,010	36,960	39,438	46,535	160
Index numbers:						
Cotton consumption	1935-39 = 100:	172	147	156	156	91
Spindle activity 6/	Percent	137.3	122.5	127.5	129.5	94
Prices paid, interest, and taxes:	1910-14 = 100:	154	165	165	166	108
Industrial production	1935-39 = 100:	215	242	244	245	114
Wholesale prices	1910-14 = 100:	146	151	151	150	103

Compiled from official sources. 1/ Applies to last month for which data are available. 2/ Premiums for Middling 1-1/8 inch based on near active month futures at New York. 3/ SxP, No. 2, 1-1/2 inch, New England mill points. 4/ Total hours per spindle in operation divided by number of days in calendar month. 5/ Includes only stocks in mills and public storage and at compresses. 6/ Based on 5-day 80-hour per week operation.

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